



State Fiscal Note for Bill Number: 2022-H-7385

Date of State Budget Office Approval: Monday, March 14, 2022

Date Requested:

Date Due:

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2022	\$0-\$317.2M	FY 2022	N/A
FY 2023	\$0-\$239.3M	FY 2023	N/A
FY 2024	\$0	FY 2024	N/A

Explanation by State Budget Office: This bill appropriates a portion of the State of Rhode Island's State Fiscal Recovery Funds (SFRF) monies from the federal American Rescue Plan Act to the state employment security fund – also known as the state unemployment trust fund – to restore the fund amount to the level prior to March 9, 2020, when an executive order declared a state of emergency for the COVID-19 pandemic.

Comments on Sources of Funds: This bill would appropriate federal SFRF monies pursuant to the American Rescue Plan Act of 2021, Pub. L. 117-2. UI tax contributions maintain the solvency of the employment security fund; therefore, this bill would not impact general revenues.

Summary of Facts and Assumptions: This bill appropriates sufficient funds to bring the balance of the employment security fund to a level equal to the March 9, 2020, level, prior to R.I. Executive Order 20-02 which issued a declaration of a state of emergency due to the COVID-19 pandemic. The employment security fund had a balance of approximately \$524.3 million on March 9, 2020, when the declaration was ordered, and with the state operating tax year 2020 under Schedule F.

The reserve ratio of the fund determines which tax schedule of rates employers in the state fall within, with a lower fund reserve ratio corresponding to higher tax rates. The tax schedules range from A to I, with a higher schedule imposing the higher rates due to a lower fund reserve balance.

The COVID-19 pandemic and associated economic downturn caused substantial decrease in employment, which increased the state's unemployment rate. As a result, the fund balance decreased by nearly half compared to the March 2020 balance by the date of determination of the tax schedule for tax year 2021. Due to the fund balance at the time of determination, Rhode Island jumped two tax schedules and operated tax year 2021 under Schedule H.

R.I. Gen. Laws 28-43-7(b) establishes the tax schedule based on the reserve ratio of the employment security fund as of September 30 of the prior year. R.I. Executive Order 21-102 issued on October 24, 2021, delayed the tax rate computation date for the employment security fund for CY 2022 from September 30, 2021, to November 30, 2021, due to the state's fluctuating unemployment rate during CY 2021. Furthermore, R.I. Executive Order 21-117 issued on December 16, 2021, suspended the statutory procedure for calculating the tax schedule, and specified that for the tax year 2022 determination, the wage based used in CY 2021 tax schedule computation would be used to compute the taxable wage base for tax year 2022 which caused

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Rhode Island to continue to operate under Schedule H for tax year 2022.

The balance for the employment security fund on March 1, 2022, was \$207.1 million, approximately \$317.2 million less than the balance of the fund on March 9, 2020, which was \$524.3 million. Therefore, if this bill is enacted in FY 2022, the minimum appropriation of \$317.2 million would be necessary to bring the employment security fund to the March 9, 2020, level.

If the bill is enacted at the beginning of FY 2023, this note assumes that the appropriation would occur prior to the statutory tax schedule computation deadline on September 30, 2022. The Department of Labor and Training projects the employment security fund to have a September 2022 balance of \$285.0 million, approximately \$239.3 million less than the balance of the fund on March 9, 2020. As a result, \$239.3 million would be necessary to bring the employment security fund to the March 9, 2020, level.

This fiscal note assumes that the state would return to Schedule F from Schedule H for CY 2023.

While the bill does not address employment security fund tax schedules, the following information is provided as additional context. If the state is to remain on the current tax schedule H, an estimated fund balance of \$225.0 million at the time of the September 30, 2022, computation date would be necessary. According to the department, the fund is currently projected to have \$285.0 million, or about \$60.0 million more than needed. If the state were to drop one schedule and operate on Schedule G for tax year 2023, an estimated total balance of \$380.00 million to \$390.0 million would be necessary. To meet this level, the employment security fund would require an additional \$95.0 million to \$105.0 million in one-time funds.

According to the pandemic recovery office, contributions to a state's unemployment fund are an eligible use of State Fiscal Recovery Funds under the negative economic impact expenditure category per the U.S. Treasury interim final rule for the program. Recipients are allowed to restore the trust fund balance of such account as of January 27, 2020.

*Summary of Fiscal
Impact:*

It is assumed that the appropriated funds are a one-time infusion in CY 2022, but it is not specified in this bill. This bill does not specify when the SFRF funds are to be appropriated, therefore this fiscal note assumes a range in expenditure impact, ranging from the balance as of March 2022, to the department's projected September 30, 2022, balance of the fund based on the statutory computation date of September 30 and assumes that no executive orders will be issued to delay the date as occurred in FY 2022 for the CY 2023 calculation.

Fiscal Impact:

FY 2022: \$0 or \$317.2 million from federal SFRF funds

FY 2023: \$0 or \$239.3 million from federal SFRF funds

This does not assume any FY 2024 fiscal impact.

Budget Office Signature:



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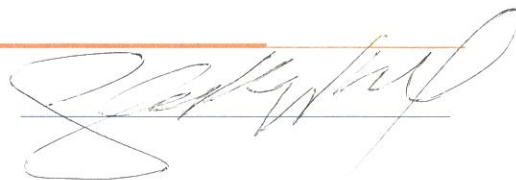
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